

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04
CEA-01 L-03 H-01 /085 W
-----161847Z 066629 /45

R 161814Z FEB 77
FM USMISSION OECD PARIS
TO SECSTATE WASH DC 5344
INFO AMEMBASSY BRUSSELS
AMCONSUL ANTWERP

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PASS EB FOR BOEKER; TREASURY FOR GRIFFIN

E.O. 11652: N/A
TAGS: EINV, EFIN, OECD
SUBJECT: BADGER BELGIUM BANKRUPTCY

REF: EC BRUSSELS 1446

1. SUMMARY. IN MEETING ON FEBRUARY 15, 1977 BETWEEN HENRI BERNARD, GENERAL SECRETARY, TUAC (TRADE UNION ADVISORY COMMITTEE) AND DEPUTY ASSISTANT SECRETARY OF STATE ERNEST PREEG (IN PARIS AS US DEL TO COMMITTEE ON INTERNATIONAL INVESTMENT AND MNE'S), CURRENT STATUS OF BADGER BELGIUM BANKRUPTCY WAS REVIEWED. IN ADDITION, LETTER FROM BELGIAN SECRETARY OF STATE FOR REGIONAL ECONOMY MARK EYSKENS TO PREEG WAS DELIVERED BY BERNARD. LETTER ASKS THAT BADGER BELGIUM AND RAYTHEON FULFILL ALL THEIR SOCIAL OBLIGATIONS. (TEXT OF LETTER PARA 8 BELOW.) END SUMMARY

2. BERNARD STATED THAT ON FEBRUARY 14, BELGIAN COURT
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HAD DECLARED BADGER BELGIUM UNABLE TO PAY ALL OF ITS COMMITMENTS ("FAILLITE"). THIS COURT DECISION IS NOT A DECLARATION OF BANKRUPTCY (WHICH, IN BELGIUM, HAS CRIMINAL IMPLICATIONS), BUT DOES PLACE THE MANAGEMENT OF BADGER BELGIUM UNDER SOME JUDICIAL CONTROLS, AND DOES PROVIDE FOR SPECIAL ARRANGEMENTS FOR CREDITORS. BADGER BELGIUM INTENDS TO APPEAL THIS DECISION (ALTHOUGH

GROUND ARE UNCLEAR).

3. BERNARD PROVIDED ADDITIONAL INFORMATION THAT INTERNATIONAL MANAGEMENT OF BADGER WILL BE MEETING THE RESPONSIBLE UNIONS IN BRUSSELS ON FEBRUARY 21. UNIONS REPRESENTED INCLUDE THE LOCAL ANTWERP UNION, AND REPRESENTATIVES OF THE TWO NATIONAL INDUSTRIAL UNIONS.

4. PREG REITERATED HOPE THAT A REASONABLE RESOLUTION COULD BE REACHED. SOME QUESTIONS REMAIN FOR FURTHER CLARIFICATION, INCLUDING (A) WHETHER ALL THE REQUIREMENTS OF BELGIAN LAW WILL HAVE BEEN MET BY BADGER, (B) HOW FACT THAT BADGER HAS NOT WITHDRAWN PROFITS FROM BELGIUM SHOULD BE CONSIDERED, (C) TO WHAT EXTENT WORKERS COULD BE DISADVANTAGED IN VIEW RECOURSE TO INDUSTRY FUND OR GOVERNMENT ASSISTANCE.

5. IN ANSWER TO THE LAST QUESTION, BERNARD MENTIONED THAT A SPECIAL COMPENSATION FUND WILL COVER BELGIAN WORKERS THE AMOUNT OF COMPENSATION REMAINING AFTER A BADGER BELGIUM BANKRUPTCY (TO VARYING DEGREES ON A CASE BY CASE BASIS). NOT ALL WORKERS WOULD BE COVERED COMPLETELY. THERE WOULD BE NO COMPENSATION COMING DIRECTLY FROM THE BELGIAN GOVERNMENT.

6. PREG STATED THAT WHILE USG WAS NOT A PARTY IN THE NEGOTIATIONS AMONG BADGER, THE UNIONS, AND THE BELGIAN GOVERNMENT, DEVELOPMENTS IN THE SITUATION WOULD BE

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CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04
CEA-01 L-03 H-01 /085 W

-----161848Z 066643 /45

R 161814Z FEB 77
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FOLLOWED CLOSELY.

7. BERNARD DID NOT SPECIFICALLY INDICATE WHETHER HE INTENDED TO PUT THIS MATTER BEFORE THE SPECIAL BIAC/TUAC-CIME MEETING ON MARCH 30, ALTHOUGH HE DID NOT PRECLUDE THE POSSIBILITY. HE EMPHASIZED THE IMPORTANCE OF AN EARLY AND REASONABLE SOLUTION.

8. TEXT OF EYSKENS LETTER: BEGIN TEXT

NO DOUBT YOU HAVE BEEN INFORMED ON THE DELICATE PROBLEM RISEN IN BELGIUM AS A RESULT OF THE LIQUIDATION OF N.V. BADGER BELGIUM, SUBSIDIARY COMPANY OF THE AMERICAN CORPORATION BADGER C. INC. AND RAYTHEON. BECAUSE OF INSUFFICIENT ASSETS, THE BELGIAN SUBSIDIARY BADGER IS NOT IN A POSITION TO PAY THE COMPENSATIONS DUE TO TERMINATION OF THE CONTRACT TO THE EMPLOYEES. THE COMPENSATIONS AMOUNT TO NEARLY 3.5 MILLION DOLLARS.

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APPARENTLY THE AMERICAN PARENT COMPANY BEARS A LEGAL AND MORAL RESPONSIBILITY IN THIS RESPECT. THE REFUSAL TO TAKE CARE OF THE SOCIAL IMPLICATIONS INVOLVED IN CLOSING DOWN A FIRM, IS A DEPLORABLE INCIDENT AND MIGHT HARM THE IMAGE OF AMERICAN FIRMS IN BELGIUM.

BOTH, THE BELGIAN AND AMERICAN GOVERNMENTS SIGNED THE OECD DECLARATION ESTABLISHING RULES OF BEHAVIOR FOR MULTINATIONAL ENTERPRISES. THE CASE BADGER COULD BE CONSIDERED AS A TEST-CASE IN GAUGING THE WILLINGNESS OF THE PARTIES INVOLVED REGARDING THE APPLICATION OF THESE RULES.

AS A RESULT, I'D LIKE TO ASK YOU, ON BEHALF OF THE BELGIAN GOVERNMENT, TO FIRMLY INSIST WITH THE DIRECTORS OF BADGER C. INC. AND RAYTHEON SO AS TO MAKE SURE THESE SOCIAL OBLIGATIONS ARE FULFILLED, EITHER BY THEMSELVES

OR BY THEIR SUBSIDIARIES. END TEXT
KATZ

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETINGS, BANKRUPTCIES
Control Number: n/a
Copy: SINGLE
Sent Date: 16-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977OECDP04765
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770055-0885
Format: TEL
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770236/aaaabfqj.tel
Line Count: 172
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 4eeaa1c5-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 EC BRUSSELS 1446
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3306551
Secure: OPEN
Status: NATIVE
Subject: BADGER BELGIUM BANKRUPTCY
TAGS: EINV, EFIN, OECD, BADGER CO, (BERNARD, HENRI), (PREEG, ERNEST)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/4eeaa1c5-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009